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State budget woes worsen Up to \$5.7 billion loan may be needed, treasurer says

State Treasurer Dean Martin estimates the state could run out of money to pay its bills as early as Feb. 23, forcing his office to borrow in the short term. He figures the cumulative borrowing tab could range from \$2.5 billion to \$5.7 billion.

Question: What effect does this have on state employees? Will they still be paid?

Answer: Yes. Martin said the borrowing would be necessary to keep the state operating.

However, the need to borrow underscores the severity of the state budget shortfall, which is \$1.2 billion and counting. As lawmakers begin meeting next week to work on a budget fix, job furloughs or even layoffs are a possibility, although no one has yet presented a plan.

Q: Where would the state borrow the money?

A: From banks. The Treasurer's Office also is working to secure a line of credit with Bank of America, the state's bank. That would replace the need to go to other lending institutions.

Q: How much will the state have to pay in interest?

A: That would be determined by the banks the state approaches and the state Loan Commission. The commission, which consists of the governor, the State Treasurer and the head of the state Department of Administration, would meet to set the maximum interest rate the state would accept. Martin's office expects that it would be less than the 4.8 percent interest rate the state is collecting on loans it made to the state Department of Transportation.

Q: What does it mean to me as a taxpayer?

A: Any borrowing, with the interest rate, adds to the state's \$1.2 billion shortfall. Lawmakers have to decide how to bridge that gap, and deep spending cuts in state programs are inevitable.

Q: Could it mean a tax increase?

A: Probably not. The Republicans who control the Legislature have said tax increases are not an option, and many legislative Democrats agree. However, Gov.-in-waiting Jan Brewer, a Republican, has said that she won't take any options off the table when it comes to balancing the state's budget.

Mary Jo Pitzl Arizona Republic